

Public Bank (PBK MK)

4Q25: Steady Showing

Highlights

- 4Q25 earnings are in line with, 2025 earnings representing 100% of our/consensus full-year estimates.
- 4Q25 earnings rose 2% qoq**, lifted by writebacks in provisions and NIM recovery.
- Maintain BUY with a higher target price of RM5.55 (1.70x 2026F P/B, ROE: 13.3%) from RM5.25 as we roll forward our valuation to 2027 to capture the sector's medium-term steady earnings growth and capital management runway. We remain positive on Public Bank for its potential provisions writebacks and capital management upside.

4Q25 Results

Year to 31 Dec	4Q25 (RMm)	4Q24 (RMm)	yoy % chg	2025 (RMm)	yoy % chg
Net Interest Income	2,421.9	2,409.3	0.5	9,583.7	1.4
Islamic Banking	461.8	439.2	5.1	1,839.4	7.8
Fees & Commissions	592.0	538.7	9.9	2,225.6	1.8
Net Investment Income	29.0	54.1	(46.4)	225.6	76.5
Other Operating Income	213.5	201.5	5.9	820.9	52.7
Total Income	3,718.2	3,642.8	2.1	14,695.2	4.9
Operating Expenses	(1,301.1)	(1,206.6)	7.8	(5,128.7)	6.2
PPOP	2,417.1	2,436.2	(0.8)	9,566.5	4.2
Provision on loans and investments	12.6	(439.1)	(102.9)	(79.6)	(83.8)
PBT	2,444.1	2,071.0	18.0	9,542.9	7.2
Net Profit	1,876.3	1,799.5	4.3	7,224.4	1.5
EPS (sen)	9.7	9.3	4.3	37.3	1.5
DPS (sen)	12.0	11.0	9.1	22.5	7.1
BVPS (RM)	3.10	2.97	4.5	12.1	4.8
Financial Ratios (%)	4Q25 %	4Q24 %	yoy +/- ppt	3Q25 %	qoq +/- ppt
NIM	2.12	2.21	(0.09)	2.10	0.02
Loan Growth, yoy	5.1	6.3	(1.2)	6.5	(1.4)
Deposit Growth, yoy	3.2	4.9	(1.7)	5.0	(1.8)
Loan/Deposit Ratio	98.9	97.0	1.9	98.1	0.8
Cost/Income Ratio	35.0	33.1	1.9	34.1	0.9
ROE	12.7	12.8	(0.1)	12.6	0.1
NPL Ratio	0.5	0.5	(0.0)	0.5	(0.0)
Credit Costs (bp)	(1.5)	(3.9)	2.3	1.0	(2.5)
CET-1 CAR	13.9	14.2	(0.3)	13.8	0.1

Source: Public Bank, UOB Kay Hian

Analysis

- In line.** Public Bank reported 4Q25 net profit of RM1.87b (+4.5% yoy, +1.6% qoq), bringing 2025 earnings to RM7.2b, (+1.5% yoy). 2025 earnings are in line, representing 100% of our/consensus full-year estimates.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	9,451	9,584	10,251	10,869	11,532
Non-interest income	2,853	3,272	3,432	3,624	3,827
Net profit (rep./act.)	7,147	7,224	7,795	8,247	8,738
Net profit (adj.)	7,147	7,224	7,795	8,247	8,738
EPS (sen)	36.8	37.2	40.2	42.5	45.0
PE (x)	13.4	13.3	12.3	11.7	11.0
P/B (x)	1.7	1.6	1.6	1.5	1.5
Dividend yield (%)	4.2	4.5	5.3	5.6	5.9
Net int margin (%)	2.20	2.14	2.17	2.17	2.17
Cost/income (%)	34.5	34.9	35.4	35.8	35.7
Loan loss cover (%)	166.2	149.9	142.2	126.4	108.3
Consensus net profit	-	-	7,560	7,985	-
UOBKH/Consensus (x)	-	-	1.03	1.03	-

Source: Public Bank, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM4.95
Target Price	RM5.55
Upside	+12.1%
Previous TP	RM5.25

Analyst(s)

Keith Wee Teck Keong

keithwee@uobkayhian.com

+603 2147 1981

Stock Data

GICS Sector	Financials
Bloomberg ticker	PBK MK
Shares issued (m)	19,410.7
Market cap (RMm)	96,082.9
Market cap (US\$m)	24,644.2
3-mth avg daily t'over (US\$m)	29.2

Price Performance (%)

52-week high/low	RM5.18/RM4.03
1mth	3.6
3mth	15.1
6mth	9.8
1yr	11.0
YTD	9.0

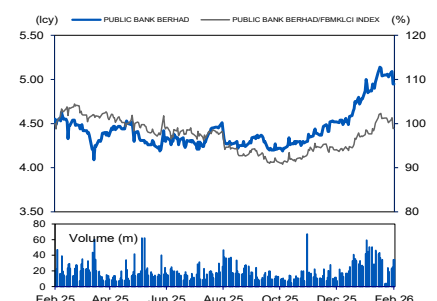
Major Shareholders

Consolidated Teh Holdings Sdn Bhd	21.4
EPF	18.1

Balance Sheet Metrics

FY26F NAV/Share (RM)	3.17
FY26F CAR Tier -1 (%)	15.4

Price Chart



Source: Bloomberg

Company Description

Public Bank is the third-largest domestic banking group in Malaysia by assets with about 14.8% of system assets and 16.2% loan market share.

- **Commendable pre-provision operating profit growth.** Flattish 2025 earnings reflected higher provisions from a low base and a higher effective tax rate, which were partly offset by the absence of goodwill write-offs on intangible assets related to its Hong Kong operations. Pre-provision operating profit and PBT posted a commendable 4% and 7% growth, respectively.
- **The yoy earnings growth** in 4Q25 was driven by an absence of lumpy intangible asset write-offs, partly offset by negative operating JAWS and lower writeback in provisions. Revenue grew 2% yoy in 4Q25, largely supported by a strong 17% uplift in unit trust income and a full quarter's insurance contribution following the acquisition of LPI Capital Bhd. This was partly tempered by a 10bp NIM compression. Meanwhile, the qoq earnings growth was underpinned by a writeback in provisions while revenue contracted marginally due to weaker trading income.
- **NIM recovering.** As expected, 4Q25 NIM started to recover in 4Q25 (+2bp qoq) as deposits start to reprice downward, despite seasonally higher pricing competition. We expect the recovery trend to gain further traction in 1Q26 as year-end deposit competition wanes.
- **Loans growth came in at 5.1% for 2025**, anchored largely by a relatively strong domestic loans growth of 5.9% that was driven by SME (+10.6%) and auto (+10.1%).
- **Asset quality remains solid.** GIL ratio improved slightly to 0.51% (3Q25: 0.52%), with domestic GIL at 0.4%. Loan-loss coverage remained robust at 150% (industry: 85%), rising sequentially to 248% including regulatory reserves (3Q25: 243%). With benign asset quality and strong provision buffers, the group recorded a writeback in provisions in 4Q25, bringing 2025 net credit cost to 2bp. We have pencilled in a similar net credit cost trend for 2026. Management overlays currently stand at RM800m.
- **Potential capital management upside?** The group declared a 12 sen final DPS, bringing full-year DPS to 22.5sen, representing a payout ratio of 61% (2025: 57%). Management now expects an even higher potential CET1 uplift of slightly above 1.0ppt with the Basel 3 reform adoption in Jul 26, vs its previous guidance of 0.5-1.0ppt. This could lift CET1 to 14.9% in 2026 (assuming a 1ppt minimum uplift). Our simulations suggest the bank could raise its dividend payout to 68% while keeping CET1 above 14%. This is comfortably above management's 13.5% optimal target, and could lift 2026's dividend yield to 5.3% from our current 5.1% base-case assumption (65% payout).). More importantly it sets the stage for a sustainable capital management runway over the medium term as the group will have scope to optimise its potential CET1 ratio of c 15% (after Basel 3) to a more optimal level of 13.5%. Note that management's current 60% dividend payout guidance has not taken into account capital upside from the Basel 3 reforms which we have incorporated into our forecast.
- **2026 key guidance retained:** a) ROE: 12.0%-13.0%; b) loan growth: 4%-5%; c) non-interest income: double-digit percentage growth; d) net credit cost: single digit; e) NIM: stable to mid-single digit compression; and f) dividend payout ratio of c:60%.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM5.55 (1.70x 2027F P/B, ROE: 13.3%) from RM5.25** as we roll forward our valuation to 2027 to capture the sector's medium-term steady earnings growth and capital management runway. The stock continues to trade at an attractive -1.0SD below its historical mean P/B. Additionally, the stock is among the largest beneficiaries of CET1 uplift from the adoption of Basel 3 reforms, while its robust provision buffers present potential for meaningful writebacks that are not yet reflected in our or consensus estimates

Earnings Revision/Risk

- No revision to earnings.

Share Price Catalyst

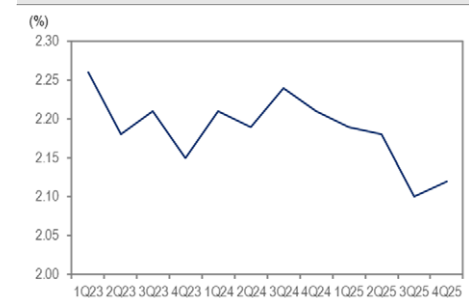
- Stronger-than-expected non-interest income growth.
- Provision writebacks from robust provision buffers.
- Capital management upside.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.5	5.8	6.0
Credit Cost (bp)	2.0	1.0	1.0
ROE	12.9	13.3	13.8

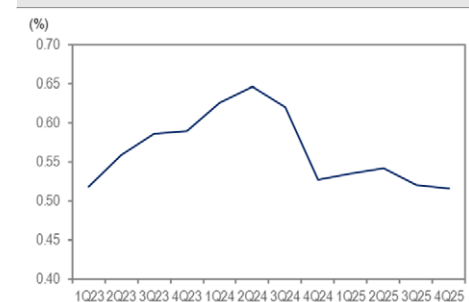
Source: Public Bank

Public Bank NIM trend



Source: Public Bank

Public Bank GIL ratio trend



Source: Public Bank

Environmental, Social, Governance (Esg) Updates

Environmental

- **Green loan commitment.** Launched a campaign in 2020 offering preferential rates for selected energy efficient vehicles (EEV) under its AITAB Hire Purchase-i, to promote the usage of EEVs.
- **Paperless initiative.** Moving towards paperless operations with its enhanced Go Green initiatives in its daily operations, such as migrating reports to online verification module, issuing electronic statements and notices as well as introducing electronic signatures (eSignature) in new deposit account openings.

Social

- **Board and upper management gender diversity.** Maintained 33% female directors on the Board and 48% for top and senior management.

Governance

- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors – 55%.

Source: Public Bank, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	18,896	17,827	18,903	20,046
Interest expense	(9,312)	(7,576)	(8,033)	(8,513)
Net interest income	9,584	10,251	10,869	11,532
Fees & commissions	2,226	2,337	2,477	2,626
Net Trading Income	739	773	808	846
Other income	3,272	3,432	3,624	3,827
Income from Islamic banking	1,839	1,931	2,028	2,129
Total income	14,695	15,614	16,521	17,489
Staff costs	(3,696)	(3,992)	(4,311)	(4,613)
Other operating expense	(1,433)	(1,540)	(1,596)	(1,633)
Pre-provision profit	9,566	10,083	10,614	11,243
Loan loss provision	(67)	(95)	(50)	(53)
Other provisions	(13)	0	0	0
Associated companies	56	62	68	75
Pre-tax profit	9,543	10,050	10,632	11,264
Tax	(2,136)	(2,249)	(2,380)	(2,521)
Minorities	(183)	(6)	(6)	(5)
Net profit	7,224	7,795	8,247	8,738
Net profit (adj.)	7,224	7,795	8,247	8,738

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	4,441	9,450	10,017	10,618
Govt treasury bills & securities	24,520	25,010	25,511	26,021
Interbank loans	0	0	0	0
Customer loans	442,333	469,297	497,878	528,274
Investment securities	60,478	65,361	70,597	76,211
Derivative receivables	225	318	411	504
Associates & JVs	441	495	544	598
Fixed assets (incl. prop.)	1,310	1,510	1,710	1,910
Other assets	27,903	35,294	50,399	107,994
Total assets	561,651	606,735	657,066	752,131
Interbank deposits	14,625	15,894	17,274	18,772
Customer deposits	447,114	474,835	504,274	534,531
Derivative payables	156	159	162	165
Debt equivalents	642	577	520	468
Other liabilities	36,673	51,134	68,918	130,397
Total liabilities	499,210	542,600	591,148	684,333
Shareholders' funds	59,938	61,626	63,402	65,277
Minority interest - accumulated	2,504	2,510	2,516	2,521
Total equity & liabilities	561,651	606,735	657,066	752,131

Operating Ratios

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	13.9	15.4	15.1	14.5
Total CAR	16.6	17.5	17.1	16.4
Total assets/equity (x)	9.4	9.8	10.4	11.5
Tangible assets/tangible common equity (x)	9.8	10.4	10.9	12.2
Asset Quality				
NPL ratio	0.5	0.5	0.5	0.5
Loan loss coverage	149.9	142.2	126.4	108.3
Loan loss reserve/gross loans	0.8	0.7	0.6	0.5
Increase in NPLs	2.7	(1.3)	4.4	3.2
Credit cost (bp)	1.8	2.0	1.0	1.0
Liquidity				
Loan/deposit ratio	98.9	98.8	98.7	98.8
Liquid assets/short-term liabilities	6.3	7.0	6.8	6.6
Liquid assets/total assets	5.2	5.7	5.4	4.9

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	1.4	7.0	6.0	6.1
Fees & commissions, yoy chg	1.8	5.0	6.0	6.0
Pre-provision profit, yoy chg	4.2	5.4	5.3	5.9
Net profit, yoy chg	1.1	7.9	5.8	6.0
Net profit (adj.), yoy chg	1.1	7.9	5.8	6.0
Customer loans, yoy chg	5.2	6.1	6.1	6.1
Customer deposits, yoy chg	3.2	6.2	6.2	6.0
Profitability				
Net interest margin	2.1	2.2	2.2	2.2
Cost/income ratio	34.9	35.4	35.8	35.7
Adjusted ROA	1.3	1.3	1.3	1.3
Reported ROE	12.1	12.6	13.2	13.8
Adjusted ROE	12.1	12.6	13.2	13.8
Valuation				
P/BV (x)	1.6	1.6	1.5	1.5
P/NTA (x)	1.7	1.7	1.6	1.6
Adjusted P/E (x)	13.3	12.3	11.7	11.0
Dividend Yield	4.5	5.3	5.6	5.9
Payout ratio	60.5	65.0	65.0	65.0

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